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SUBJECT: GSE SCRAPES UP FOREIGN CURRENCY FOR WHEAT

REF: ASMARA 065

¶1. (SBU) The Government of the State of Eritrea (GSE) recently completed a \$6.5 million transaction with the Minnesota-based international grain distributor Cargill. The GSE sent \$5.5 million to Cargill from the Commercial Bank of Eritrea earlier in June as the final payment for 28,000 tons of wheat shipped to the country three months ago. . Eritrea also placed an approximately \$8 million order for 14,000 tons of sugar in early June.

¶2. (SBU) Eritrea has a \$40 million revolving line of credit with Cargill and is the only African country with which Cargill does business without having the guarantee of an outside bank. According to Eritrea's Cargill representative, at least a dozen banks in Europe refused to back Cargill for business deals in Eritrea when Cargill first ventured to work with Eritrea several years ago. Despite this setback, Cargill proceeded to supply Eritrea and has since viewed Eritrea as its sole reliable partner in Africa.

¶3. (SBU) Cargill attributes Eritrea's reliability to its overly cautious nature. The representative claimed Eritrea has lost the opportunity to purchase grain at lower prices by waiting until it had enough foreign currency in the coffers to pay in full. As to where the GSE obtains its foreign currency, he referred to it as "another matter."

¶4. (SBU) COMMENT: Eritrea has stiffed creditors in the past and most likely cannot purchase commodities on credit. As seen with the fuel industry, the GSE is able to scrape up foreign currency, albeit at the last minute, to meet its operational needs (reftel). However, as the country continues to fall on hard times (no rain, few summer visitors, increasing political alienation), it is not likely the GSE will be able to keep up its last minute payments.
MCMULLEN